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6 NOV 1972

MEMORANDUM FOR: Executive Director-Comptroller
Deputy Director for Intelligence
Deputy Director for Plans
✓ Deputy Director for Science and Technology
Deputy Director for Support
General Counsel
Director of Planning, Programming, and
Budgeting

SUBJECT : Views of Contractors on Doing Business with CIA

There is attached for your reading and information a memorandum for the record which gives an interesting insight into the opinion held by a selected group of corporate executives concerning the manner in which the Central Intelligence Agency conducts its contractual affairs.

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John F. Blake
Director of Logistics

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MEMORANDUM FOR THE RECORD

SUBJECT: Views of Contractors on Doing Business with CIA

25X1A 1. During the period 10 October through 18 October 1972, the undersigned and [redacted] Chief, Procurement Management Staff, OL, visited six major industrial corporations with whom the Agency has had a history of contractual relations. The primary purpose of the trip was to assess the opinion held by private corporate management of the manner in which this Agency conducts its contractual business.

2. The interviews held with corporate executives allowed us to draw a series of conclusions. The three most significant conclusions, while also contained in the attached trip report, are here noted to highlight their significance:

a. Unqualified approval was expressed in every case of the Agency less-formal procurement practices by comparison with DOD and other Government agencies. The primary thrust of comments on this point was that the Agency's procurement process permits significant concentration on the substantive purpose of the contract with the end result that the Agency contract dollar buys more hardware and less paper. For example, [redacted] 25X1A [redacted] stated that it would have cost the DOD \$5 million to accomplish the same end result under an Agency contract for \$500,000.

b. Despite the greater formalization in DOD programs and procedures and despite the higher ratio of administrative to technical personnel utilized by DOD, there are fewer cost growth problems on Agency contracts than DOD contracts in the opinion of corporate officials.

c. Much of the Agency's contract work is appreciated by industry not so much for the profit involved but because it represents a significant technical challenge to its personnel and allows companies to concentrate on the fine cutting line of advanced technology. Certain corporate officials stated very frankly that there were advantages in pursuing Agency work because the advanced technology involved sometimes had commercial application. At

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[redacted] for example, corporate officials stated that in one instance work performed under an Agency contract contributed so much to the company base of knowledge that the company was successful in bidding on a very large DOD production contract.

3. Attachment 1 is the trip report. Attachment 2 provides general information concerning the individual corporations visited and the corporate officials interviewed.

4. It is the opinion of the travelers that the trip was extremely beneficial. It is apparent that the establishment of communications at the level accomplished during the trip offers the Agency an opportunity to accurately assess the Agency image held by private industry.

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[redacted]
John F. Blake
Director of Logistics

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Combined Trip Report of Mr. John F. Blake, Director of Logistics,
 Chief, Procurement Management Staff, OL

1. The trip included visits to the following corporations:

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2. Initial planning for the trip included the transmittal of a letter from the Director of Logistics to a senior corporate official in each corporation briefly stating the purpose of the trip. Corporations were selected which had:
 - a. A history of five or more years business with the Agency.
 - b. Contracts with more than one technical office within the Agency.
 - c. Contracts utilizing Agency appropriations.
3. This was the first time that senior Agency procurement officers visited selected corporations for the express purpose of assessing private industry views on the Agency methods of contracting, including its procurement policies and procedures. Discussions conducted with senior corporate officials were very candid and very open. They included a significant range of procurement areas providing the widest possible scope for review of Agency procurement practices including:
 - a. Competitive procedures
 - b. Sole source contracting

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[redacted] Chief, Procurement Management Staff, OL

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- c. Solicitation of proposals
 - d. Handling of unsolicited proposals
 - e. Protection of contractors proprietary data
 - f. Quality and relationship of Agency contracting and technical personnel
 - g. Reaction to Agency audit and security procedures
 - h. Degree and extent of interface between senior corporate officials and senior Agency officials on Agency matters
 - i. Comparison of Agency procurement practices with the Department of Defense (DOD) and other Government agency procurement policies, procedures, and methods
4. Positive reactions to the Agency procurement process voiced by the contractors visited:
- a. Unqualified approval was expressed in every case of the Agency less-formal procurement practices by comparison with DOD and other Government agencies. The primary thrust of comments on this point was that the Agency's procurement process permits significant concentration on the substantive purpose of the contract with the end result that the Agency contract dollar buys more hardware and less paper. For example, [redacted] a 25X1A
[redacted] stated that it would have cost the DOD \$5 million to accomplish the same end result under an Agency contract for \$500,000.
 - b. The decision time involved in the overwhelming number of Agency contracts substantially contributes to the ability of the contractor to get on with the job.
 - c. Despite the greater formalization in DOD programs and procedures and despite the higher ratio of administrative to technical personnel utilized by DOD, there are fewer cost growth problems on Agency contracts than DOD contracts in the opinion of corporate officials.
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25X1A Combined Trip Report of Mr. John F. Blake, Director of Logistics, and
[redacted], Chief, Procurement Management Staff, OL

- d. Agency personnel are extremely well qualified at defining their requirement.
- e. Our continuity of personnel, as well as the mutual understanding of the purpose of the contract by both Agency contracting and technical officers, is a distinct contribution to a successful contractual relationship.
- f. Much of the Agency's contract work is appreciated by industry not so much for the profit involved but because it represents a significant technical challenge to its personnel and allows companies to concentrate on the fine cutting line of advanced technology. Certain corporate officials stated very frankly that there were advantages in pursuing Agency work because the advanced technology involved sometimes had commercial application. At [redacted] for example, corporate officials stated that in one instance work performed under an Agency contract contributed so much to the company base of knowledge that the company was successful in bidding on a very large DOD production contract.
- g. The Agency has an excellent reputation for timely payment of its bills. It also has a reasonable approach to resolving business differences rising under our contracts.
5. While there was general agreement among all contractors visited on the efficacy of the Agency procurement process, those complaints voiced by company officials were not general in nature. Listed below are eight specific observations; the first three were voiced by two contractors, the next three by a single contractor, and the last two by yet another single contractor:
- a. The Agency does not have a uniform policy on what is termed, "debriefing of unsuccessful contractors." This refers to the practice of advising those unsuccessful contractors of the general deficiencies in their proposals which caused the particular technical office to accept another contractor's proposal. It is difficult to obtain information from the Agency in every case as to why a particular proposal was not accepted.
- b. In some instances the settlement process requires an inordinate amount of time. This refers to the closing out of a contract once the work has been completed and involves audit and other administrative processes.

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[REDACTED] Chief, Procurement Management Staff, OL

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- c. Contractors experience difficulty in giving internal corporate recognition to highly qualified employees working under the secrecy restraints of our contracts.
 - d. The amount of paper work associated with quick reaction capability (QRC) work orders is greatly out of proportion to the dollars involved.
 - e. Some Agency contract negotiators place undue weight on downward negotiations of the profit factor in contractor's proposals.
 - f. Contractors may submit proposals with unrealistic cost estimates on occasions when they have no feel for the general budgetary limitations under which a particular technical officer is working. For example, a technical officer may have a budgetary limitation of \$100,000 to accomplish a particular job. Contractors, having no awareness of the limitation, may often assemble technical programs under a proposal which substantially exceeds the Agency dollar limit.
 - g. Contractors located on the west coast should be given additional time to respond to proposals because of the mailing time and distance involved.
 - h. Only one contractor complained about the lack of a sufficient volume of Agency business.
6. The above eight points in paragraph 5 represent a diverse group of contractor observations and in no case were they brought up with any degree of vehemence or undue significance. In certain cases, i.e., subparagraphs 5b and 5d, remedial work had already been started. In other cases, such as subparagraph 5c, what's involved is truly a contractor problem. The Agency can do little to accomplish that which the corporation has in mind. All other matters will be given consideration and conversations will be held with appropriate officers throughout the Agency.

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